

## Message Text

CONFIDENTIAL

PAGE 01 BRASIL 05532 251652Z

43

ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 W

----- 120619

O 251630Z JUL 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 4681

C O N F I D E N T I A L BRASILIA 5532

EXDIS

E.O. 11652: GDS

TAGS: ETRD, BR

SUBJECT: COUNTERVAILING DUTIES ON SHOES

REF: BRASILIA 5513 AND PREVIOUS

1. THIS TELEGRAM ADDRESSES THE QUESTION OF NEXT STEPS IN THE COUNTERVAILING DUTY PROCESS NOW THAT THE POSSIBILITY OF THE GOB'S MODIFYING THE INCENTIVE REGIME FOR SHOES HAS BEEN DEFINITELY ELIMATED.

2. THE FACT THAT THE GOB, THROUGH FINANCE MINISTER SIMONSEN, HAS STATED CLEARLY THAT IT DOES NOT INTEND TO MODIFY THE REGIME DOES NOT REMOVE THE NEED FOR A REPLY TO THE FOREIGN MINISTRY'S NOTE OF JUNE 25. SO FAR AS THE FORMAL GOB POSITION IS CONCERNED, THE QUESTION OF THE APPLICATION OF ANY DUTY STILL RESTS ON THE POLITICAL PLANE. THE EMBASSY REITERATES ITS OPINION THAT FOR US TO APPLY THE DUTY WITHOUT HAVING REPLIED TO THE NOTE WOULD BE INTERPRETED BY THE GOB AS OUTRIGHT AND DELIBERATE IGNORING OF ITS ARGUMENTS. EVEN IF, AS THE EMBASSY HOPES, THE BRAZILIAN DATA ON THE APPROPRIATE LEVEL OF DUTY WERE FOUND TO BE ACCURATE BY THE TREASURY, THE MERE FACT OF THE DECISION TO COUNTERVAIL WILL BE RESENTED, ALTHOUGH THE NEGATIVE REACTIONS WOULD CERTAINLY BE REDUCED BY A NOW NOTE. THERE IS NO PROFIT, AS THE EMBASSY SEES IT, IN ADDING TO THAT RESENTMENT BY A FAILURE TO REPLY TO THE NOTE.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BRASIL 05532 251652Z

3. CONCERNING TIMING, THE EMBASSY BELIEVES THAT THE REPLY MUST BE DELIVERED HERE AT LEAST A WEEK BEFORE THE DATE OF THE ANNOUNCEMENT OF THE DECISION TO COUNTERVAIL. THE REPLY SHOULD NOT RPT NOT INDICATE ANY DATE FOR THE ANNOUNCEMENT BECAUSE ITS PRINCIPAL PURPOSE SHOULD BE THE CLOSING OF THE POLITICAL DOOR.

4. IT IS IMPORTANT, IN MY OPINION, THAT AT THE SAME TIME THAT I DELIVER THE REPLY, I GIVE TO SILVEIRA A LETTER FROM THE SECRETARY ALONG THE LINES INDICATED IN BRASILIA 5427. THE REPLY TO THE NOTE PLUS THE SECRETARY'S LETTER WILL CONSTITUTE A FULL AND DEFINITIVE RESPONSE TO THE GOB'S POLITICAL EFFORT.

5. IN MY MEETING WITH SILVEIRA, I WOULD NOTE FOR THE RECORD WITH HIM THAT, IN RESPONSE TO MY RAISING THE ALTERNATIVE OF AMODIFICATION OF THE INCENTIVE SYSTEM FOR SHOES, MINISTER SIMONSEN HAD DISCARDED THAT POSSIBILITY.

6. FOLLOWING THIS EXERCISE AND NO LESS THAN 36 HOURS BEFORE THE ANNOUNCEMENT OF THE DECISION TO COUNTERVAIL, I WOULD, ON ADVICE FROM WASHINGTON, NOTIFY THE FOREIGN MINISTER OF THE NATURE OF THE ANNOUNCEMENT. I REPEAT OUR HOPE THAT EVENTS WILL SO EVOLVE AS TO DELAY THE ANNOUNCEMENT WITH RESPECT TO BRAZIL UNTIL IT CAN BE JOINED WITH ONE CONCERNING ARGENTINA.

7. IT IS HIGHLY DESIRABLE THAT, IMMEDIATELY AFTER I NOTIFY THE FOREIGN MINISTER OF THE ANNOUNCEMENT, I DELIVER TO SIMONSEN A LETTER FROM SECRETARY SIMON FRAMED IN CORDIAL TERMS EXPLAINING THE NECESSITY OF THE ACTION AND ACKNOWLEDGING THE COOPERATION OF THE TECHNICIANS OF THE FINANCE MINISTRY IN THE INFORMATION-COLLECTING PROCESS. THE LATTER WOULD HAVE TWO VERY IMPORTANT PURPOSES BEYOND THAT OF NOTIFICATION. FIRST, IT WOULD SERVE TO STRENGTHEN SIMONSEN'S OBVIOUS APPRECIATION OF HIS RELATIONSHIP WITH SECRETARY SIMON. SECON, IT WOULD ASSURE THAT THE OTHER AND MORE FLEXIBLE PART OF THE GOB INVOLVED IN THE QUESTION IS WELL TREATED. THIS COULD BE USEFUL WITH

CONFIDENTIAL

PAGE 03 BRASIL 05532 251652Z

REGARD TO THE KIND OF ADVICE GIVEN TO THE PRESIDENT ABOUT REACTIONS. IF, HOWEVER, THE BRAZILIAN DATA ARE FOR SOME REASON NOT ACCEPTED BY TREASURY AND AS A CONSEQUENCE THE LEVEL OF DUTY IS CONSIDERABLY HIGHER THAN THE BRAZILIAN SUBMISSION SUGGESTS, THE PROPOSED NATURE OF THE LETTER, AND INDEED ITS VERY ADVISABILITY, WOULD HAVE TO BE RE-EXAMINED CAREFULLY.

8. I WOULD APPRECIATE WASHINGTON'S COMMENTS ON THE  
FOREGOING SEQUENCE.  
CRIMMINS

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** SHOES, COUNTERVAILING DUTIES, EXPORT SUBSIDIES, DIPLOMATIC COMMUNICATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 25 JUL 1974  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** kelleyw0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974BRASIL05532  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D740202-0102  
**From:** BRASILIA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740719/aaaaaqdb.tel  
**Line Count:** 118  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION SS  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** EXDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** EXDIS  
**Reference:** BRASILIA 5513 AND PREVIOUS  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** kelleyw0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 10 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <10 SEP 2002 by rowelle0>; APPROVED <20 FEB 2003 by kelleyw0>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** COUNTERVAILING DUTIES ON SHOES  
**TAGS:** ETRD, BR, US  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005